

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Western Bank of Wolf Point, Wolf Point, Montana, prepared by the Federal Reserve Bank of Minneapolis, the institution's supervisory agency, as of February 27, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

Three major factors contribute to this rating. First, the bank maintains a reasonable loan-to-deposit ratio. Second, the bank has made a significant number of its loans within its assessment area. Third, the bank has a reasonable distribution of loans between geographies of different income levels.

The following table indicates the performance level of Western Bank of Wolf Point, Wolf Point, Montana, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Western Bank of Wolf Point, Wolf Point, MT PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior evaluation.		

DESCRIPTION OF INSTITUTION

Based on its size and financial condition, the bank is able to effectively meet the credit needs of the communities in its assessment area. According to the bank's December 31, 1995, Report of Condition ("ROC"), its total assets were approximately \$41.6 million. The bank's volume of loans and deposits have remained stable since the bank became a member of the Federal Reserve System. The bank's loan portfolio consists of 55% real estate, 27% agricultural, 10% commercial, 7% consumer, and 1% other loans. An analysis of the ROCs for the quarters since the bank became a member of the Federal Reserve System reveals little change in the loan mix, except for some seasonal variations.

The bank's only office is in Wolf Point, Montana. The bank has not opened or closed any offices since its inception. The bank is able to provide its products and services to its entire assessment area. The assessment area includes approximately 99% of the Fort Peck Indian Reservation ("Reservation"). The extreme northeastern tip of the Reservation is not included in the assessment area because it consists of sparsely populated range land.

The bank has tailored its retail marketing strategy to meet the varied financial needs of members of its assessment area. To help meet these needs, the bank offers a full array of products and services. The bank also offers a variety of consumer, real estate, agricultural, and commercial loans. Specifically, the bank offers access to Montana Board of Housing, Montana Board of Investments, and Federal Housing Administration II real estate loans. In addition, the bank offers Small Business Administration and guaranteed or subsidized loan programs for small businesses and farms. The credit products and services offered by the bank are appropriate for a small, rural community.

DESCRIPTION OF THE ASSESSMENT AREA

The bank defines its assessment area as Daniels County, Roosevelt County Fort Peck Reservation Division, Valley County Fort Peck Reservation Division, and McCone County North Division. The bank's office is located on the Fort Peck Indian Reservation in northeastern Montana, approximately 300 miles northeast of Billings, Montana, 35 miles south of the Canadian border, and 90 miles west of Williston, North Dakota. Wolf Point, Montana, is the county seat and the largest community within the county. According to the 1990 census, the assessment area has a population of 9,684. Wolf Point, Montana, has a population of 2,880. The minority population, primarily American Indians, comprises 43.4% of the total population of the assessment area.

CRA divides income levels into four categories: low, moderate, middle, and upper income. Because the bank's assessment area is not in a metropolitan statistical area, the categorization of a borrower's or block numbering area's ("BNA") income is determined relative to the statewide nonmetropolitan median family income. Low-income individuals have incomes of less than 50% of the

statewide nonmetropolitan median family income, while moderate-income individuals have incomes of at least 50% but less than 80% of this amount.

The regulation defines a middle-income individual as one with an income of at least 80% but less than 120% of the statewide nonmetropolitan median family income. An individual with an income that is 120% or more of the statewide nonmetropolitan median income is considered an upper-income person. BNAs are classified using similar categories based on the level of the median family income in the geography.

The bank's assessment area is divided into four BNAs. BNAs 9511 and 9550 are designated as moderate income, and BNAs 9559 and 9539 are designated as middle income. According to 1990 U.S. census data, the assessment area's median income is \$21,234, while the median family income for the nonmetropolitan areas in Montana is \$27,352. Although the assessment area is classified as both moderate and middle income, the population is concentrated in the lower- and upper-income ranges. Specifically, 31.3% of the area's households are classified as low income, 17.6% are moderate income, 18.5% are middle income, and 32.7% are upper income. The assessment area's median household income of \$18,497 is below the median family income of \$21,234. More than 27.7% of the households in the assessment area are below the poverty level.

The local economy is heavily dominated by the Reservation, which occupies nearly 80% of the available land in the Roosevelt County. Agricultural production in the area consists of cattle and small grains. Major area employers are the local hospital and school district. Other sources of income come from oil and gas extraction and service, governmental services, and various small private enterprises. Before 1992, the area was drought-stricken for approximately 13 years. Current economic conditions are considered good.

The business district has survived the drought years, and with an improved agricultural economy, business has been very good. Shopping is mostly done locally because of the distance to major shopping centers.

During the evaluation, a community contact was made in the assessment area. Also, several additional recent contacts were made in conjunction with a previous CRA evaluation of a Federal Reserve System member bank. Contacts indicated that there were no unmet credit needs in the bank's assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance in meeting the credit needs of its assessment area is satisfactory. The criteria detailed below were evaluated in determining this rating.

LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's lending levels meet the standards for satisfactory performance. According to the bank's December 31, 1995, ROC, the bank's gross loan-to-deposit ratio was 43%. Since June 30, 1994, the quarterly average of the bank's gross loan-to-deposit ratios has been 46%. The following chart, based on quarterly ROC data, shows that the bank's loan-to-deposit ratio has been consistent since the bank became a member of the Federal Reserve System.

<u>Date</u>	<u>Gross loans (in thousands)</u>	<u>Deposits (in thousands)</u>	<u>Loan-to-Deposit Ratio</u>
June 30, 1994	\$15,706	\$34,122	46%
September 30, 1994	\$16,423	\$32,765	50%
December 31, 1994	\$15,509	\$34,559	45%
March 31, 1995	\$14,770	\$33,276	44%
June 30, 1995	\$16,217	\$32,842	49%
September 30, 1995	\$16,376	\$35,909	45%
December 31, 1995	\$15,741	\$36,797	43%

Average Loan-to-Deposit

46%

Another bank in the area has a higher lending level. That bank, which has total assets of about \$22 million, had an average loan-to-deposit ratio of about 65% during the same period.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

A review of a statistical sample of the loans originated by the bank since it became a member of the Federal Reserve System reveals that a substantial majority of the bank's loans were made inside its assessment area. The table below shows the percentages for the number and dollar volume of major loan product lines that were inside the assessment area.

PERCENTAGE OF LOANS IN THE ASSESSMENT AREA

<u>Major Loan Product Lines</u>	<u>Total Number of Loans</u>	<u>Total Amount of Loans</u>
Small farm and business	100%	100%
Consumer	94%	57%

This level of concentration in the assessment area exceeds standards for satisfactory performance. As noted in the table, the vast majority of all the bank's loans are within the assessment area.

DISTRIBUTION OF CREDIT WITHIN THE ASSESSMENT AREA

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank does not collect income data for its consumer loans. Accordingly, no analysis of income for such loans could be made. The bank provides all its business and agricultural loans to borrowers with gross annual revenues of less than \$1 million. Almost all the business and agricultural loans in the sample had loan amounts that were less than \$100,000. Specifically, 98% of the sampled business and agricultural loans were less than \$100,000. Business and agricultural loans, including commercial and agricultural real estate loans, constitute approximately 70% of the bank's loan portfolio.

Geographic Distribution of Loans

The bank's loans are adequately distributed throughout the assessment area. As previously mentioned, the bank's assessment area includes two moderate- and two middle-income BNAs. The table below illustrates the distribution of the bank's loans in the moderate- and middle-income areas.

DISTRIBUTION OF LOANS IN ASSESSMENT AREA GEOGRAPHIES

<u>Type of Loan</u>	<u>Moderate Income</u>	<u>Middle Income</u>
Small Farm:		
Percentage of Total Loans	66%	34%
Percentage of Total Loan Amounts	71%	29%
Consumer:		
Percentage of Total Loans	95%	5%
Percentage of Total Loan Amounts	93%	7%

The table indicates that the bank makes 66% of its small farm loans in the moderate-income BNAs, where about 69% of the assessment area's population resides. As previously discussed, such loans are about 70% of the bank's loan portfolio. The table also indicates that 95% of the bank's consumer loans are to residents of the moderate-income BNAs. The bank's activity in moderate-income areas is adequate.

General

The evaluation did not reveal any violations of the substantive or technical provisions of the fair housing and fair lending laws and regulations. In addition, the bank has not received any CRA complaints since it bank became a member of the Federal Reserve System.

PUBLIC DISCLOSURE

February 27, 1996

Date of Evaluation

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Western Bank of Wolf Point

Name of Depository Institution

093010900000

Identification Number of Institution

Wolf Point, Montana

Address of Institution

Federal Reserve Bank of Minneapolis
250 Marquette Avenue
Minneapolis, Minnesota 55401-2171

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.